

K. PETROLEUM INC.

2425 Deewood Drive
Columbus, Ohio 43229
Tel: (614) 899-6440
Fax: (614) 899-1097
kpi@kpetroleum.com

November 30, 2004

Mr. James R. Goff
Kentucky Public Service Commission
P.O. Box 615
Frankfort, KY 40602

**RE: CASE NO. 2004-00436, Filing Deficiency
Cost Justification
Application / Tarriff Request
Gathering Line / Farm Tap Service
KRS 278.485
Clay, Whitley, Knox, Laurel County, KY**

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DEC 0 1 2004

PUBLIC SERVICE
COMMISSION

Dear Mr. Goff:

Per our telephone conversation last week, please find attached a proposed tariff sheet containing proposed adjusted rates along with ten copies of this information..

If you should have any questions, please do not hesitate to contact me at 614.899.6440 x224.

Sincerely,

Marie Logothetis
Vice President Operations
K. Petroleum, Inc.
614.899.6440 x224
marielogothetis@kpetroleum.com



Ernie Fletcher
Governor

LaJuana S. Wilcher
Secretary

Commonwealth of Kentucky
Environmental and Public Protection Cabinet
Public Service Commission

211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460

November 17, 2004

Jam Khorrami
President
K-Petroleum, Inc.
2425 Deewood Drive
Columbus, OH 43229

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DEC 01 2004

PUBLIC SERVICE
COMMISSION

Re: Case No. 2004-00436, Filing Deficiency

The Commission staff has reviewed your application in the above case. This filing is rejected pursuant to 807 KAR 5:001, Section 2, for the reasons set forth below. These items are either required to be filed with the application or to be referenced in the application if they are already on file in another case.

1. Filing deficiency pursuant to 807 KAR 5:026, Section 9(1)(a)(c):

- A proposed tariff sheet containing proposed adjusted rates.

The statutory time period in which the Commission must process this case will not commence until the above-mentioned information is filed with the Commission. If your filing contains a proposed effective date, the rejection of your filing for reasons of deficiency voids that proposed effective date. When you file the required information to correct the deficiencies, you may re-file your proposed tariff with a new proposed effective date that is at least 60 days from the date you file the required information. You are requested to file an original and ten copies of this information within 15 days of this letter. If you need further information, please contact James R. Goff of my staff at (502) 564-3940, Extension 261.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell", written over a horizontal line.

Beth O'Donnell
Executive Director

BOD/jc

FOR _____
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

(Name of Utility)

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K. PETROLEUM, INC.

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COMMISSION

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Month / Date / Year

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ISSUED BY _____
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TITLE PRESIDENT

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
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RATES AND CHARGES

SCHEDULE A

K. Petroleum, Inc. is submitting this application for modification of tariff for natural gas being supplied to residential customers in Clay, Whitley, Laurel and Knox counties. The following rates changes are being requested:

- \$12.00 per mcf flat gas purchase price
- \$10.00 minimum monthly charge
- \$150.00 tap-in fee to tie into our line
- \$165.00 deposit, due before gas service is turned on
- \$25.00 reconnection fee, if necessary

Gas Price - \$12.00/mcf (flat rate)

K. Petroleum, Inc assumed utilization of 7 mcf/mo/customer (84 mcf/yr), (based on information from our monthly readings), and 45 gas customers.

Gas Price Calculation

<u>Description</u>	<u>Amount</u>
12 month NYMEX Strip	\$7.12/dth
Contract Differential	<u>+ .15/dth</u>
	\$7.27/dth
Price To Be Received by K. Petroleum based on 1250 btu/cf	<u>x1.25</u> \$9.09/mcf
Well Operator ¹	1.88/mcf
Administrative Personnel ²	.95
Methanol and Supplies ³	.37
Mileage ⁴	<u>.16</u>
TOTAL	\$12.45/mcf

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RATES AND CHARGES

Minimum Monthly Charge - \$10.00/month

We assumed that even if no gas was sold in a particular month, K. Petroleum, Inc. would still incur a cost of about \$23.75/customer/month (explained on attachment sheet) and we would try to recoup approximately 50% of this.

Tap Fee - \$150

Estimated cost to tap our gathering system, install saddle, nipple and first valve is greater than \$150 as outlined below, but 807 KAR 5:026 Section 9. (1) limits the charge to \$150.

Material Cost: Saddle, Nipple, and First Valve	\$ 90.00
Meter	65.00
Labor for Installation (2 men – 2 hr x \$17.59/hr.)	70.36
Mileage – 10 miles x \$.375/mile	3.75
Administrative Time - .5 hr x \$20.00	<u>10.00</u>
TOTAL	\$ 239.11

Cash Deposit - \$165

If a customer uses an average of 7 mcf/mo at the proposed tariff rate of \$12.00/mcf, the monthly bill would be \$84.00. We will be billing sometime after the end of each month and will not take note unless they are 20 days past the billing date, so they could have used gas for two months before we realize they are not going to pay. Based on the average, gas used in two months would be \$168.00 (i.e. 2 x \$84/month). We have rounded this to \$165 to secure payment in the event of a default on payment.

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RATES AND CHARGES

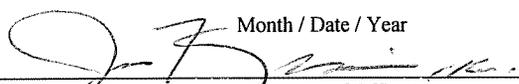
Reconnect/Turn-on Charge - \$25

If a customer is in default payment and a reasonable effort to induce payment has been made, service may be discontinued. This will require a visit by the well operator to shut the valve. If the customer makes payment of the past due amounts and a turn-on charge, service may be re-established. 807KAR5:026 Section 7. (1) allows a turn-on charge of \$25. Our estimate, as shown below, exceeds that, but we are limited to \$25.

Well Operator Time: Shut off - .5 hr x \$17.59/hr.	\$ 8.80
Turn On - .5 hr x \$17.59/hr	8.80
Mileage - 10 miles @ \$.375/mile	3.75
Administrative Time: .5 hr x \$20.00	<u>10.00</u>
TOTAL	\$ 31.35

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RULES AND REGULATIONS

SCHEDULE B

K. PETROLEUM, INC. is to provide natural gas to the undersigned customer according to the following terms as stipulated by the Kentucky Public Service Commission Regulation 278.485:

- (1) The gas service shall be furnished at rates and minimum monthly charges according to rates and charges approved by the Public Service Commission.
- (2) The Applicant for such gas service shall construct or cause to be constructed by a certified installer, shall maintain and keep in good repair the service lines, and shall provide and install, and keep in good repair, the necessary automatic gas regulators, and shall pay the entire cost thereof. The Company, at its own expense, shall provide, install, and maintain in the necessary gas meters.
- (3) The construction of each service line, the installation, type and number of automatic gas regulators and gas meter or meters and the connection thereof with the gas producing well or pipeline shall comply with rules and regulations of the public service commission, and shall conform to such standards of safety, location and convenience as may be prescribed by said commission.
- (4) Neither the gas producer nor the gas pipeline company shall be responsible for maintaining any fixed or specified gas pressure. Neither the gas producer nor the gas pipeline company shall be liable for any accident or accidental injuries or damages which may result from any defect or failure of any automatic gas regulator or for any knowledge or other defect or other defect or failure of any service line install or constructed by the applicant.
- (5) Nothing in this section shall be construed as requiring any gas pipeline company to service any such owner of property or applicant from any lines that have been held

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RULES AND REGULATIONS

to be subject to federal jurisdiction by order of the federal, energy regulatory commission or a court of competent jurisdiction. The provisions of this section shall apply only to producing gas wells and gas pipelines commonly known as gathering lines.

- (6) Nothing in this section shall be constructed to restrict the right of any gas well or any gathering pipelines, or any part thereof, and to remove any such abandoned pipeline or lines. If service to any customer is terminated because of lack of gas for a period of six months in a pipeline or line which served him, the company will have the option to remove a portion of the entire feeder line of that customer's line so as to render it inoperable.
- (7) Subject to the rules and regulations of the Public Service Commission, any service may be disconnected and discontinued by the company for failure of the customer to pay any bill as and when due and payable.

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SCHEDULE C**Filing Requirements Tests of proposed rate vs. highest rate approved by the
Commission**

The proposed rate does not exceed the highest average volumetric rate of a local gas distribution utility approved by the commission and in effect on the date the proposed tariff is filed. The commission shall provide the current percentage change in the price index and the highest prevailing rate upon written request.

Response:

K. Petroleum, Inc.'s proposed rate = \$12.00 PER MCF

RATES AS OF 9/5/03

Utility Name	Base Rate	Gas Cost	Total Volumetric Rate
Citipower	\$6.4592	\$10.5044	\$16.9636
Johnson County	\$5.9542	\$10.0315	\$15.9857
Sigma Gas	\$4.5522	\$9.5827	\$14.1349
Equitable Gas	\$0.8178	\$12.6424	\$13.4602
Gasco	\$4.6200	\$8.6075	\$13.2275
Bluegrass Gas	\$4.6137	\$8.3829	\$12.9966
Auxier Road	\$4.2599	\$8.5268	\$12.7867
Delta	\$3.6224	\$8.6341	\$12.2565
Columbia	\$1.8715	\$9.7509	\$11.6224
Natural Energy Utilities	\$4.2400	\$6.9982	\$11.2382
Burkesville Gas	\$4.2500	\$6.9364	\$11.1864
Martin Gas	NA	NA	\$10.7737
East Kentucky Utilities	NA	NA	\$10.4992
People's Gas	\$2.7670	\$7.5661	\$10.3331
Elam Gas	\$4.1214	\$6.2084	\$10.3298
Mike Little	\$2.6040	\$7.2721	\$9.8761
Elzie Neeley	\$2.4658	\$7.2721	\$9.7379
Public Gas	\$2.1505	\$7.5028	\$9.6533
Belfry Gas	\$2.7182	\$6.7682	\$9.4864
LG&E	\$1.3457	\$8.0328	\$9.3785
Atmos	\$1.1900	\$7.7881	\$8.9781
ULH&P	\$2.3340	\$6.6260	\$8.9600
Millennium	\$4.0000	\$4.5609	\$8.5609
B & H Gas	\$1.9788	\$6.0000	\$7.9788
Valley Gas, Inc.	\$2.3819	\$5.0816	\$7.4635
Jefferson Gas	\$2.2600	\$4.7282	\$6.9882
Western Lewis Rectorville	\$1.3970	\$5.2760	\$6.6730